February 25, 2016

Co-Chair Gary A. Winfield
Co-Chair Matthew Lesser
Senator Henri Martin
Representative Bill Simanski

Banking Committee:

We are submitting testimony in **opposition to H.B. 5296**, AN ACT
CONCERNING CREDIT AND DEBIT HOLDS as written.

The Connecticut Energy Marketers Association (CEMA) represents 576
petroleum marketers and their associated business in Connecticut. Our motor
fuels members own, operate, and distribute gasoline to more than 1,000 gas
stations and convenience stores in Connecticut. CEMA members employ over
13,000 people in our state.

It appears that this bill seeks to do three things:

1. Gas station/convenience stores that accept credit or debit cards for the
   purchase of gasoline would be prohibited from placing a credit hold on
   purchases larger than the actual purchase amount without providing the
   customer notice;

2. Credit holds will not be allowed to exceed twice the transaction amount or
   $50.00 - whichever is greater;

3. The person initiating the hold shall disclose the hold at the point of
   payment prior to the consumer's purchase, including the dollar amount of
   the hold, if it is known.

We are here today to inform the committee that this legislation is directed at the
wrong industry. Card Association, banks, Visa and Master Card all have a say in
what hold limits are placed on debit and credit cards – not the gas station
owners.

The hold limits are set by the Card Associations which consist of all the card
types accepted at merchant locations (ie. gas stations and other retail
establishments). The hold is initiated by the Automated Fuel Dispenser to the
banking system.

The reason that the hold is initiated is because the pump sends out an
authorization on that particular credit/debit card requesting whether or not funds
are available on that card, and if the answer is yes the pump will allow that
customer pump up to $75.00 worth of fuel.

The hold is then initiated (individual banks have different hold times for unsettled funds that varies from band to bank).

We are told by the card processing industry that if the bill passes as worded - no gas station in the state could continue to use their pay at the pump terminals and would have to run all of their cards inside the stores, no one could pull up to a pump and use a debit or credit card to pay for fuel.
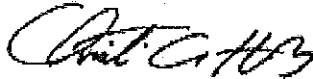
Our understanding is that this system begins with the way that the fuel dispensing equipment is manufactured and interacts with the networks, it is the way that the networks interact with the banking systems and the way that all parties are funded.

If the intent of the legislation is to restrict credit and debit holds on purchases larger than the actual purchase amount without providing notice, we suggest that the committee look upstream from the gas station level to the chain of fiduciary institutions who set these limits, disclose those limits to their card holders, and control how this system works.

I have attached the 15 steps that occur what a debit/credit card purchase is initiated at a gas station for your review.

CEMA asks that the Banking Committee to **oppose H.B. 5296, AN ACT CONCERNING CREDIT AND DEBIT HOLDS** as written.

Respectfully,

Christian A. Herb
President

AFP Controller System Activities	
Step No.	**Description**
1.	Before pumping fuel, the customer completes the following tasks: o Selects card type o Swipes/inserts card o Enters PIN (required for debit and some fleet cards) o Enters additional fields (determined by card type)
2.	The customer-activated device/controller must verify the following card data when applicable: o ISO number o Expiration date o Check digit calculation o Card range
3.	The customer-activated device/controller should also validate the following card data: o Account number o Purchase amount o Card issuer
4.	The controller formats the data into a CAT Authorization Only Request. The format must indicate that a customer-activated device initiated the transaction.
5.	The controller supplies the CAT Authorization Only amount, the anticipated fuel type, and the price per gallon. This is overridden when the actual fuel is dispensed but is required for fuel limits and fuel-only card validation.
6.	The controller connects to BUYPASS if not already connected.
7.	The controller forwards the Authorization Only Request.
8.	The controller receives and parses the Authorization Only Response, storing the transaction data and approval code if the transaction is approved.
9.	The controller signals the customer-activated device of the approval or decline.
10.	If an approval is received, the customer-activated device signals the AFP system to dispense the fuel up to the preapproved Preauthorization amount.
11.	The controller services any Authorization Requests subsequently initiated if the controller is still connected to BUYPASS and the line disconnect timer has not expired.
12.	If the controller is still connected to BUYPASS, the controller forwards any queued transactions (CAT Purchase/Capture completions), parses the responses, and updates associated electronic journal data.

13.	If the controller is still connected to BUYPASS, no transactions are pending, and the load request flag is set to yes, request the load before hanging up the line.

14.	After the fuel is pumped, the customer-activated device stores the following information:
	   o Actual purchase amount
	   o Fuel price per gallon
	   o Fuel type
	   o Gallons dispensed to the controller
	
	A receipt is printed reflecting the actual purchase amount.
	
	For debit and stored value cards, the transaction can only be stored for a maximum of 15 minutes, and then the controller must connect to BUYPASS for processing the transaction.
	
	For credit cards, the transaction can only be stored for a maximum of 55 minutes, and then the controller must connect to BUYPASS for processing the transaction.
	
	For all other card types, this transaction should be stored until the next Authorization or other request that initiates a connection to BUYPASS. A stored preauthorized completion transaction should never initiate a call to BUYPASS.

15.	Prior to requesting end-of-day totals, all queued transactions, including the Daily Exception Log transactions, should be sent to BUYPASS. The device should connect to BUYPASS 15 minutes prior to the cut time if the location has not processed its totals.

Kind Regards;

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President

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